

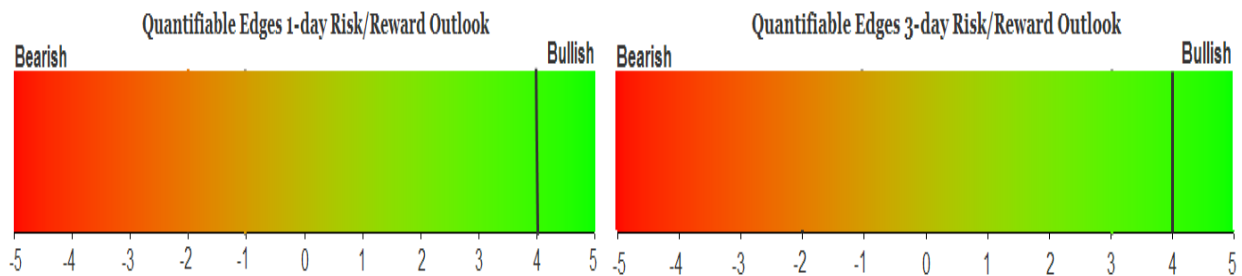
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 22, 2020

Volume 13 Issue 206

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- Continued closes in near the bottom of the daily range are suggesting a short-term bullish edge.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I believe there is a good chance of a bounce in the next few days.

Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
October 22, 2020	SPY closes btm 1/4 rng 4 days in row	1-5 days	Bullish	3.60%	-1.40%	-2.90%
October 21, 2020	VIX up 7 in a row	1-3 days	Bullish	1.90%	-0.50%	-1.10%
October 21, 2020	SPY gap up 0.75% rise, close < open	1-3 days	Bullish	1.90%	-1.60%	-3.40%
October 20, 2020	SPY 5 lower closes. Monday.	1-3 days	Bullish	2.80%	-1.15%	-2.90%
October 20, 2020	SPX close btm 10% rng 5-low Monday	1-5 days	Bullish	2.10%	-1.00%	-2.10%
October 19, 2020	SPY 5 low after not in 10 days	1-4 days	Bullish	1.30%	-1.00%	-2.00%
October 19, 2020	Gap up move up intra, close dn > 10Lo	1-5 days	Bullish	2.00%	-1.40%	-2.30%
Active - Long Term						
October 19, 2020	SPY 5 low after not in 10 days	1-10 days	Bullish	2.10%	-1.30%	-2.60%
September 28, 2020	NASDAQ Leading	int term	Bullish			
September 28, 2020	4 weeks down > 40-week ma	1-10 weeks	Bullish	8.60%	-3.10%	-7.40%
August 27, 2020	SPX 50-day %b crosses over 100	1-50 days	Bullish	4.90%	-4.40%	-8.90%
July 9, 2020	Golden Cross	int term	Bullish			
April 29, 2020	Sell in May after 5% drop Jan-Apr	6 months	Bearish			
March 23, 2020	QE4	int term	Bullish			

The Evidence

The bulls tried to rally the market again on Wednesday, and again they failed with the market closing near its lows. SPX finished down 0.2%, the NASDAQ declined 0.3%, and the Russell 2000 fell 0.9%. Breadth was negative with the NYSE Up Issues % coming in at 35% and the Up Volume % at 43%. NYSE total volume rose some from Tuesday's level.

Despite attempts to put in rallies over the last few days, SPY has been persistently weak in the afternoon. It has not managed to hold gains and has closed in the bottom 25% of its daily range for the last 4 days in a row. That may not sound all that extreme, but it is quite rare. Below is a look at how the market has performed following past occurrences. It looks back to the inception of SPY in 1993. This study was last seen in the 12/16/14 letter and has been updated.

SPY closes in the bottom 25% of its intraday range for the 4th day in a row. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	44,844.72	16	15	1	93.75	13,737.50	-546.65	3,026.09	-546.65	5.54	83.04	2,802.80
4	30,563.94	16	15	1	93.75	12,275.00	-2,796.92	2,224.06	-2,796.92	0.80	11.93	1,910.25
3	23,317.78	16	12	4	75.00	7,062.50	-1,641.05	2,215.55	-817.19	2.71	8.13	1,457.36
2	10,946.94	16	10	6	62.50	5,062.50	-1,812.29	1,562.10	-779.01	2.01	3.34	684.18
1	10,554.63	16	10	6	62.50	5,962.50	-1,068.60	1,566.01	-850.92	1.84	3.07	659.66

All 16 instances closed above the entry price at some point in the next week.

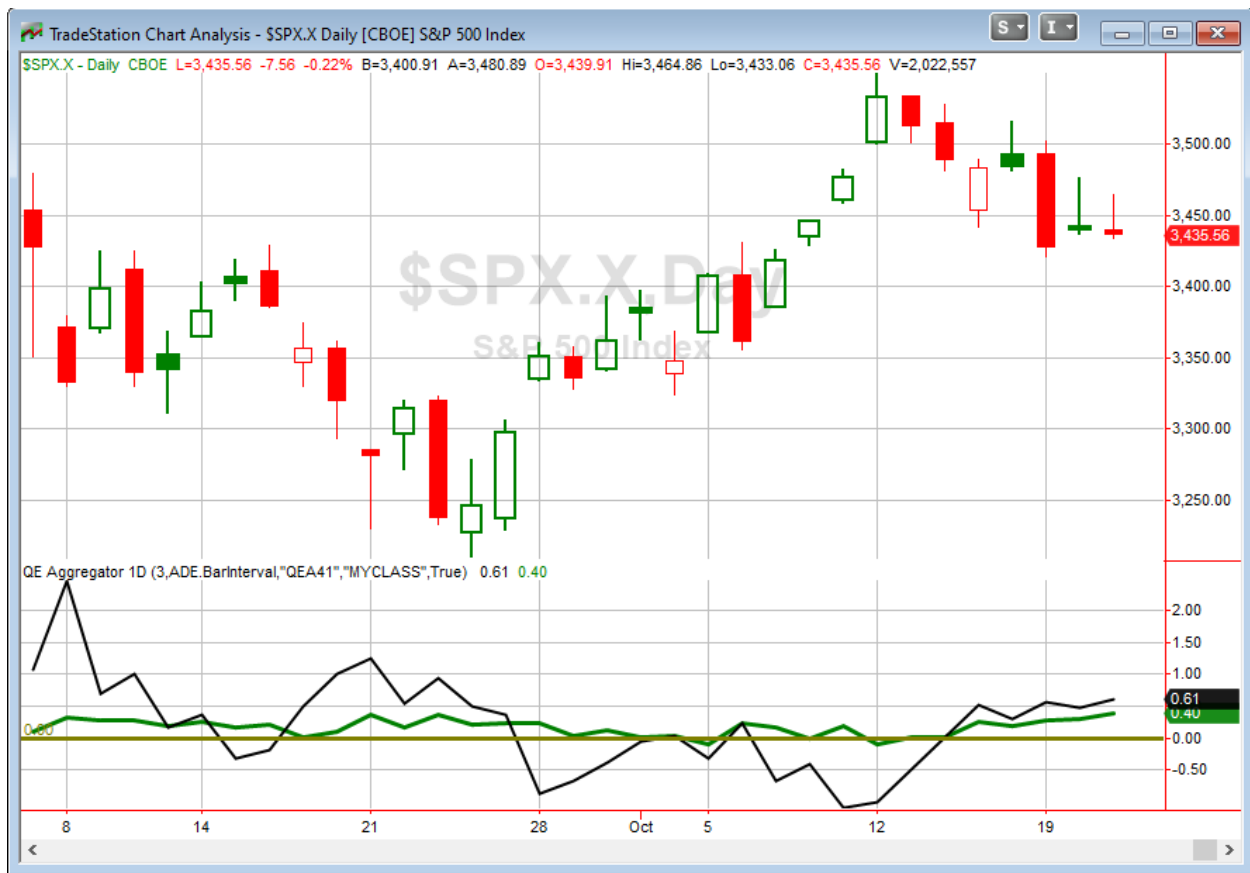
The numbers are very lopsided in favor of the bulls. Below is a list of all instances assuming a 5-day holding period.

SPY closes in the bottom 25% of its intraday range for the 4th day in a row.
Buy on close. Sell X days later. \$100k/trade. 1993 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
5/7/1998	Buy	\$109.44	2.03%	\$2,967.25
5/14/1998	Sell	\$111.66		\$0.00
2/22/2000	Buy	\$134.97	1.83%	\$1,850.00
2/29/2000	Sell	\$137.44		(\$1,665.00)
7/23/2002	Buy	\$79.95	13.75%	\$14,312.50
7/30/2002	Sell	\$90.94		(\$2,837.50)
1/4/2005	Buy	\$118.83	-0.55%	\$529.83
1/11/2005	Sell	\$118.18		(\$706.44)
1/24/2005	Buy	\$116.55	1.38%	\$1,458.60
1/31/2005	Sell	\$118.16		\$0.00
5/24/2007	Buy	\$151.06	2.00%	\$2,207.74
6/1/2007	Sell	\$154.08		\$0.00
1/18/2008	Buy	\$132.06	2.41%	\$3,557.90
1/28/2008	Sell	\$135.24		(\$4,587.42)
3/3/2009	Buy	\$70.07	3.00%	\$3,995.60
3/10/2009	Sell	\$72.17		(\$4,238.19)
10/28/2009	Buy	\$104.41	0.49%	\$2,344.65
11/4/2009	Sell	\$104.92		(\$1,272.81)
7/14/2011	Buy	\$130.93	2.72%	\$2,968.07
7/21/2011	Sell	\$134.49		(\$991.90)
12/16/2011	Buy	\$121.59	3.95%	\$3,978.48
12/23/2011	Sell	\$126.39		(\$1,282.32)
5/17/2012	Buy	\$130.86	1.28%	\$1,810.68
5/24/2012	Sell	\$132.53		(\$1,000.84)
10/12/2012	Buy	\$142.89	0.35%	\$2,537.37
10/19/2012	Sell	\$143.39		(\$83.88)
10/14/2014	Buy	\$187.70	3.39%	\$3,458.00
10/21/2014	Sell	\$194.07		(\$3,074.96)
12/15/2014	Buy	\$199.51	3.99%	\$6,743.46
12/22/2014	Sell	\$207.47		(\$826.65)
6/26/2019	Buy	\$290.47	2.87%	\$2,872.40
7/3/2019	Sell	\$298.80		\$0.00

I do not see anything here that alarms me. The bears have owned the afternoons lately. It appears in the next few days the bulls will have their chance, and this study suggests an afternoon that does not go to the bears could turn into a sizable move higher.

I have updated [the Aggregator chart](#) below.



With tonight's evidence considered, the green Aggregator Line remained above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line is also above 0. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are positive and SPX is oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator signal stayed long at the close.

Based on the current list of active studies, expectations are slated to remain bullish on Thursday. This is unlikely to change. Meanwhile, the Differential Pivot will be 3452.03 on Thursday. That is 0.5% above Wednesday's close. Therefore, SPX will need to close up at least 0.5% on Thursday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is again bullish. Evidence keeps building, but the bounce has failed to materialize over the last few days. I'm optimistic that we'll see a bounce in the next few days. Of course, with the current news cycle, you never know. I took a 2nd lot of SPY at the close on Wednesday. I'll look to hold on to both lots for now and see how tomorrow plays out and what new evidence emerges.

Intermediate-term Outlook (2 weeks – 2 months) – updated 10/19– slightly bullish

The intermediate-term outlook was last updated in the 10/19/20 Letter. It can be found in the [most recent weekly letter](#) on the website.

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

OpenCatapult Triggers

None

Broad Market Large Cap CBI – 0

Additional New Trade Ideas

A full listing of system triggers can be found at the [numbered systems page](#) each night. I will cherry pick some of my favorite setups from the S&P 100 and ETF lists along with occasional other trade ideas to track below.

None tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	10/19/2020	\$347.29	\$342.73	-1.31%		Aggregator
SPY(1/4)	10/21/2020	\$342.73	\$342.73	0.00%		Aggregator
COO	10/21/2020	\$347.46	\$348.79	0.38%		System 11111

Per system 11111, I will look to exit COO at the close on Thursday if its 2-day RSI closes above its 14-day RSI.

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